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INFO RUEHBJ/AMEMBASSY BEIJING 5936
RUEHUL/AMEMBASSY SEOUL 8247
RUEHKO/AMEMBASSY TOKYO 8207
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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003874

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E.O. 12958: DECL: 11/16/2031

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SUBJECT: KMT VICE CHAIRMAN JOHN KUAN ON MAYORAL RACES,
DEFENSE BUDGET

Classified By: Deputy Director Robert S. Wang, Reason(s): 1.4 (B/D).

11. (C) Summary: KMT Vice Chairman John Kuan assured the Deputy Director on November 13 that the KMT and Chairman Ma Ying-jeou understand the importance of U.S.-Taiwan common interests and regard the U.S. as pursuing its national interests, not favoring one or another Taiwan political party. The recent indictment of First Lady Wu Shu-chen has improved KMT prospects in the December 9 Kaohsiung mayoral election, Kuan said. He argued that victories in both Taipei and Kaohsiung would give a big boost to the KMT and Ma, but a loss in Kaohsiung would only be a minor setback. Ma can afford to sidestep the traditional socializing with other KMT leaders, Kuan told the DDIR, because of the strong support he receives from the grassroots. Ma has the power to control the LY caucus, but, to increase "democracy," has allowed the caucus to have more input on LY issues. Kuan reaffirmed the KMT's commitment to strengthen Taiwan's defense, and to support increasing the defense budget to three percent of GDP. End Summary.

KMT Leaders Understand Importance U.S. Relations

12. (C) DDIR opened the November 13 meeting with KMT Vice Chairman John Kuan (Kuan Chung) by reaffirming U.S. neutrality toward all political parties in Taiwan. After Director Young's October 26 press conference, DDIR continued, several KMT legislators and others had claimed that the DIR and the U.S. were biased against the KMT. DDIR assured Kuan there was no such bias. Kuan blamed the anti-U.S. rhetoric on a "few fundamentalists" within the KMT, radicals in the People First Party (PFP), and independent Lee Ao, a "lunatic" seeking to advance his personal interests. The U.S. is Taiwan's most important partner and ally, Kuan assured the DDIR, and KMT leaders, including Chairman Ma Ying-jeou, continue to take a long-term, pragmatic approach toward U.S.-Taiwan relations. Kuan also explained that the KMT wants to play a middle role in Taiwan politics and win over moderate voters.

Chen's Troubles Help KMT Mayoral Candidates

13. (C) Kuan told DDIR that the general political atmosphere

favors the KMT because the DPP is losing prestige quickly as political figures react to President Chen's scandals and the indictment of First Lady Wu Shu-chen. There is a strong feeling in the DPP that the party will not do well in upcoming elections and that its future hinges on whether Chen stays or not. Elections require voter mobilization, Kuan pointed out, and he questioned whether the DPP could mobilize its supporters when the party was in such a difficult situation. Chen's troubles will have a very serious psychological impact, resulting in bad election returns for the DPP, Kuan predicted.

14. (C) In Taipei, Kuan continued, the KMT has a significant demographic advantage: Pan-Blue supporters make up sixty percent of the voting population. Taipei pan-Blue voters have learned from previous losses in three-candidate races to vote for the pan-Blue candidate with the greatest chance of winning, in this case, KMT mayoral candidate Hau Long-bin and not People First Party (PFP) Chairman James Soong. Hau enjoys a comfortable lead in media and other polls, and the KMT hopes he will maintain his current support of about 50 percent. While Hau will almost certainly win, DPP candidate Frank Hsieh will do better than many expect. While recent polls only give Hsieh a 15-17 percent popularity rating, they are misleading because many DPP supporters do not participate in the polls. In the end, Kuan predicted, Hsieh will win at least 35 percent of the votes, which represents the DPP's basic strength in Taipei.

15. (C) The outcome in Kaohsiung is less clear, Kuan suggested, because the demographics and voting behavior are different than in Taipei: the Kaohsiung electorate is split fifty-fifty between Pan-Blue and Pan-Green. Before first lady Wu Shu-chen was indicted, Kuan told the DDIR, the

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Kaohsiung mayoral race was a virtual dead-heat between KMT candidate Huang Chun-ying and DPP candidate Chen Chu. Following the indictment, KMT internal polls indicate Huang has developed a slight lead: 37-30 percent as of November 10.

Huang is not a strong campaigner, Kuan conceded, but Taiwan voters may well be tired of people who talk too much. Huang is a modest and humble professor, a Kaohsiung native who has spent his entire career there, including service as deputy mayor. The race in Kaohsiung is still very close, Kuan observed, and the KMT has a chance of victory in both cities if it continues to be careful and makes no mistakes.

Mayoral Outcomes Could Help, Won't Hurt Ma

16. (C) DDIR asked whether KMT victories in both races would have a significant impact on the party. Kuan replied that it would be a "big boost" for the KMT and Chairman Ma, and would consolidate the party as it worked on the 2007 Legislative Yuan (LY) elections. Kuan added that if the KMT wins Taipei and loses Kaohsiung, it will still come out even. A loss in both Taipei and Kaohsiung would be a catastrophe, but that is impossible. (Comment: KMT Mainland Affairs Policy Director Chang Jung-kung and Huang Chun-ying campaign spokesman Apollo Chen told AIT recently that they believed a loss in Kaohsiung could damage Ma's leadership of the party. End Comment.)

Ma Difficult to Work With but Strong Public Appeal

17. (C) Chairman Ma is said by some to have a principled and uncompromising leadership style, DDIR remarked, and asked whether this affects his relationship with other key party members. Kuan responded that Ma's incorruptibility, industriousness, and simple way of life are unprecedented and unique in Taiwan. These traits make him very popular with voters, but some party leaders and workers find it difficult to get used to his work style, for example, insisting on having only simple box lunches on bus trips and at all conferences. Noting mediastories about Ma not appearing at

send-off ceremonies or dinners for other KMT leaders, Kuan observed that Ma never does this kind of thing. In Ma's view, the priorities are the constitution first, the system second, and personal relationships last. Kuan said he and others have tried to persuade Ma to be more sociable, but Ma is focused on doing things rather than "making friends (with other political leaders)." Kuan said he expects Ma to "change a little but not much" in response to the advice to be friendlier. Ma has a "direct sales" appeal to the grassroots public, who like him because he is dependable and accountable. Kuan noted that Ma plans to travel all over Taiwan and stay with the local people after he steps down as Taipei mayor.

Ma Supports a Strong Defense

18. (C) Kuan dismissed the idea that Ma has been unable to control the KMT LY caucus. As part of his effort to "democratize" the KMT, Kuan told the DDIR, Ma has allowed the caucus to take the initial lead in considering LY issues. Ma is trying to democratize policy-making, and to establish a process for policy coordination between the Central Standing Committee and the KMT LY caucus. But the KMT is unlike U.S. political parties, Kuan observed. The KMT has a rigid organization and strict discipline, with power and resources controlled by the Central Committee. At the end of the day, Kuan asserted, Chairman Ma has final say over anything relating to the party.

19. (C) DDIR asked about Ma's position on the need to strengthen Taiwan's defense. Kuan responded that Ma clearly regards arms procurement as a part of public policy and not an ideological or partisan issue. A strong defense and arms procurement are matters of survival. However, Kuan confided, the KMT has been suspicious of efforts by President Chen and the DPP government to play up the problem. For example, President Chen delayed submitting the arms procurement bill for three years and then used the issue to boost its

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reelection prospects. In addition, Kuan suggested, it was the DPP government that was responsible for reductions in the annual defense budget in recent years. Kuan acknowledged that another factor in the defense issue has been the KMT need for support from the PFP, which is strongly against arms procurement, to maintain a slim pan-Blue majority in the LY. He suggested that PFP Chairman James Soong understands military issues and therefore his opposition to arms procurement is "illogical." Soong and his party appear to be using the issue as a political bargaining chip, hoping to get something in return from the KMT. Noting that the Defense Committee passed some parts of the arms procurement budget last week, Kuan said that the KMT supports passing the budget this LY session. Also, KMT support for reaching a 3-percent-GDP defense budget is clear, Kuan stated.

110. (C) DDIR asked if the KMT would yield to PRC pressure on arms procurement if it comes into power in 2008. On national defense, Kuan stressed, the KMT will not listen to what Beijing says. How can Taiwan reduce its self defense capability unless Beijing withdraws its missiles, he asked. When in power, the KMT showed its commitment to a strong defense by procuring the F-16s. Kuan assured the DDIR that the party will act the same way in the future, which will become easier if the party controls both the presidency and the LY. The KMT understands that it needs to be in a strong position to talk to the PRC, Kuan stressed.

Comment

111. (C) John Kuan (Ph.D., Tufts University) avoids the public spotlight, and is well-respected as the KMT's leading political strategist. DDIR paid an initial courtesy call to Kuan about a month ago. Kuan's remarks on the positive KMT

attitude toward the U.S. and on KMT support for a strong defense were reassuring. His comments on the difficulties of adjusting to Ma's work style and Ma's strong grassroots appeal were revealing. Kuan clearly sees Ma as a stronger leader than some are willing to give him credit for.

YOUNG